



Director of  
Central  
Intelligence

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## The Future of Eastern Europe (C NF)

National Intelligence Estimate

*This Estimate represents the views  
of the Director of Central Intelligence  
with the advice and assistance of the  
US Intelligence Community.*

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in the preparation of this National Intelligence Estimate.*

*The following intelligence organizations participated  
in the preparation of this Estimate:*

The Central Intelligence Agency  
The Defense Intelligence Agency  
The National Security Agency  
The Federal Bureau of Investigation  
The Bureau of Intelligence and Research,  
Department of State  
The Office of Intelligence Support,  
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The Office of the Deputy Chief of Staff  
for Intelligence, Department of the Army  
The Office of the Director of Naval  
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The Assistant Chief of Staff, Intelligence,  
Department of the Air Force  
The Director of Intelligence,  
Headquarters, Marine Corps

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## The Future of Eastern Europe ~~(C NF)~~

- The revolutions in Eastern Europe provide the basis for developing democracy and market economies. But this will not be a linear process, and a number of countries will continue to face political instability, ethnic turmoil, and economic backwardness.
- Even with Western help, East European economies—excluding that of East Germany—are likely to make only modest progress during the next five years.
- The possibility remains of a relapse to authoritarianism, particularly in the Balkans, where the lifting of Communist hegemony threatens to revive old ethnic animosities, civil strife, and interstate tensions. The environmental nightmare will also persist.
- West Europeans are better positioned to lead in shaping the East European future, but the United States has important advantages, among them the desire of East Europeans for a counterweight to Soviet and German influence. ~~(C NF)~~

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## Key Judgments

Communist party rule in Eastern Europe is finished, and it will not be revived. This and the lifting of Soviet hegemony create new opportunities for establishing representative democracies and self-sustaining market economies. The way will also open for new modes of regional political and economic cooperation. The greatest impetus is the resolve of East Europeans and their leaders to achieve reforms by emulating Western economic and political models. (C-~~NP~~)

The evolution of the region will make the designation "Eastern Europe" increasingly imprecise, as East-Central European countries—Poland, Czechoslovakia, Hungary, and East Germany—move ahead in closer association with the West, and the Balkans—Bulgaria, Romania, and Albania—settle into a more separate role. Yugoslavia, if it holds together, will continue close ties to the West.<sup>1</sup> (C-~~NP~~)

In some East European countries, however, we will see political instability and perhaps even a revival of authoritarianism, amidst lingering economic backwardness and reemerging ethnic animosities. Despite Western aid and investment, the East European economies—excluding that of East Germany—are likely to make only uneven progress during the five-year timespan of this Estimate. (C-~~NP~~)

Ultimately, prospects for healthy democracy will be closely tied to the way in which East Europeans resolve their systemic economic crisis:

- Western aid will be essential, especially in the early stages, to make up the "capital deficit" required to cushion any transition to market economies.
- Such aid will have to be linked to private investment, access to Western markets, and long-term programs designed to develop the skills and institutions necessary for a modern economy, as well as to full mobilization of indigenous resources for investment. (C-~~NP~~)

The outlook is more promising for the countries in East-Central Europe—particularly East Germany, which will rapidly merge into West Germany's economy. Elsewhere, several countries have good potential as sites for

<sup>1</sup> The Assistant Secretary of State for Intelligence and Research, Department of State, believes that broad regional subgroupings adopted for analytical convenience—such as East-Central Europe and the Balkans—at times obscure the differences between countries. (C-~~NP~~)

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Western-owned manufacturing plants with preferential entree to the European Community. The agricultural sector has the capability for quick turnaround. ~~(C-NF)~~

But the strains of even successful economic reform that is accompanied by inflation and unemployment will test the patience of people fed up with economic hardship and traditionally cynical about political promises. Linger economic crises and resurgent ethnic divisions may fuel chronic political instability and interstate tensions, notably in the Balkans:

- The major near-term danger to democratization in East-Central Europe is that the whole process will run out of steam as popular euphoria wanes and little substantial economic improvement has occurred. The result would be a paralyzing political impasse or prolonged "muddling through," as in the Third World.
- The worst case scenario—most likely in Romania and Yugoslavia—will not be a return to Communist regimes but a turn to authoritarianism, growing repression of ethnic minorities, civil strife, and even the onset of greater interstate frictions. ~~(C-NF)~~

Meanwhile, despite the Albanian regime's readiness to use brutal repressive measures to suppress dissent, it is likely that revolution and reform will come to Albania within five years. ~~(C-NF)~~

The Soviet Union's size, geographical proximity, security concerns, raw materials, and market will continue to make it a major factor in Eastern Europe. But even an aggressive, post-Gorbachev Kremlin leadership would not—or could not—substantially alter the course of events there. Moscow will seek to replace its lost domination of Eastern Europe with the advantages of a broader engagement with Europe as a whole. ~~(C-NF)~~

A united Germany, however, will move even more assertively into Eastern Europe as an economic and political influence in the vanguard of the European Community. This will be a source of worry for most East Europeans, particularly the Poles. This concern, however, will be cushioned, because Germany will be democratic and integrated into the European Community. German influence will be somewhat diluted as other Western countries also build economic and political ties to the region. Even so, Germany's weight and occasional insensitivity will raise hackles. ~~(C-NF)~~

East European events will continue to take place against a backdrop of declining relevance for the Warsaw Pact and NATO. The Warsaw Pact as a military alliance is essentially dead, and Soviet efforts to convert it into a

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political alliance will ultimately fail. Most East European states will aspire to build links to Western Europe and will hope that the CSCE process can provide a basis for such broader security arrangements. ~~(e NF)~~

East Europeans will continue to seek substantial US participation in their development as a counterweight to the Soviets and Germans. In the region where both world wars and the Cold War began, a democratic, prosperous, and independent Eastern Europe would be an element of stability rather than an object of great power rivalry in the borderlands between East and West. ~~(e NF)~~